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ARTICLES:

(1) Ruling parties step up search for alternative Futenma relocation

sites after Henoko relocation opponent elected as Nago mayor

ASAHI (Page 3) (Full)  
January 27, 2010

Keiichi Kaneko, Akira Uchida

With the victory of the candidate opposed to Henoko relocation in the mayoral election of Nago City, Okinawa, the three ruling parties are stepping up their efforts to find a relocation site for the Futenma Air Station. The Hatoyama administration is also maneuvering actively behind the scenes to find a solution to this issue. However, a remark by Chief Cabinet Secretary Hirofumi Hirano that "there is no reason why the popular will in the local community should be taken into consideration" has become a new source of conflict. The road ahead will remain bumpy.

The island of Tokunoshima in Kagoshima Prefecture has newly emerged as a candidate relocation site. According to an informed source, a Democratic Party of Japan (DPJ) Diet member close to Prime Minister Yukio Hatoyama visited Tokunoshima recently on his behalf and exchanged views with local officials.

Tokunoshima is located to the southwest of the Amami-Oshima islands and is approximately 200 kilometers from Futenma. The Tokunoshima airport has a 2,000-meter runway, and there is a plan to expand this airport. Local officials reportedly said that "if the government comes up with a policy, we will consider the matter."

At a meeting of the "National Vision Study Group," a private

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advisory body to the Prime Minister, in early January, the Maritime Self-Defense Force's Omura base (in Omura City, Nagasaki Prefecture) and the Ground Self-Defense Force's Ainoura base (in Sasebo City, Nagasaki) were cited as possible relocation sites.

While these candidate sites being discussed privately may be included in the government's proposals, the official venue for the search for an alternative relocation site is the Okinawa base issues examination committee of the government and the ruling parties. Committee members from the ruling parties will be submitting their concrete proposals shortly, and the Hatoyama cabinet will select a relocation site acceptable to the U.S. side by May, which it has set as the deadline.

The Social Democratic Party (SDP) and the People's New Party (PNP) are looking at locations outside of Okinawa and are studying the possibility of using the SDF bases in Kyushu. SDP House of Representatives member Kantoku Teruya toured the Saga airport on Jan. 19. On the other hand, this party has decided to eliminate Iwo Jima (Tokyo) as a possible choice because of frequent volcanic activities there.

PNP policy chief Mikio Shimoji met with Mayor Takashi Matsumoto of Omura City in Nagasaki on Jan. 26 and told him, "We may draft a plan requesting the parking of U.S. Marine helicopters in Omura." Matsumoto replied that, "If this is an official plan of the government, we will think about it."

Relocation within Okinawa may also become a possibility once again.

Although the candidate opposed to Futenma's relocation to the coastal area of Henoko under the Japan-U.S. agreement won in the Nago election, there is also a plan to build a heliport on land inside Camp Schwab (in Nago City). Proposals to integrate Futenma with the Kadena Air Base (in the town of Kadena) and to transfer some exercises to the island of Iejima (in Ie Village) have also come up.

DPJ Secretary General Ichiro Ozawa has mentioned Shimojishima (in Miyakojima City, Okinawa), which is approximately 300 kilometers from the main island of Okinawa. However, the U.S. forces are likely to disapprove of this location in consideration of training needs and joint operations with other bases.

Futenma relocation has remained a difficult problem for 13 years. In the end, the Futenma base may remain in its current location with measures being taken to lighten the burden on the local committees, such as by transferring helicopter exercises based in Futenma.

Chief cabinet secretary under fire for his remark

At a news conference on Jan. 26, Chief Cabinet Secretary Hirofumi Hirano made several remarks that could be interpreted by the local authorities as the government's intention to invoke the power of the state, such as: "Is it impossible to move things forward without the consent (of the local government of the relocation site)?" and "Is it enough to obtain the approval of 50 percent or does it require the consent of every citizen?"

Hatoyama tried to play down the controversy when he talked to reporters in the evening. He said: "I will be responsible for obtaining the understanding of the Okinawan people when making the

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decision." Although Hirano also talked about "obtaining (the local people's) understanding," he seemed to be implying that ultimately, it does not matter even if the local government disagrees, eliciting criticism from both the ruling and opposition parties.

Liberal Democratic Party Secretary General Tadamori Oshima voiced the following criticism: "Politics should not be conducted without the humble attitude of seeking the understanding and cooperation of the local people. This is (a manifestation of) the government's self-righteous notion of democracy."

The Uru-no-kai group of ruling party Diet members elected from Okinawa agreed at a meeting on Jan. 26 that "the chief cabinet secretary's statement is unacceptable" and decided to lodge a protest with the government. SDP Lower House member Teruya told reporters furiously: "This is more than outrageous. I feel like punching his lights out. His senses as a politician are questionable."

However, it will indeed be extremely difficult to find a new relocation site and obtain the "local people's consent" by May. Hirano's remarks also clearly reflected his anguish and desire to take precautionary measures to forestall future criticisms.

Futenma relocation is a main component of the U.S. Forces Japan realignment plans and is an issue affecting national security. There is an opinion that if the government's hands are tied too tightly by the wishes of the local governments, it will be unable to take responsibility for selecting a relocation site. It appears that Hirano made his remark on Jan. 25 that "there is no reason why (the result of the Nago election) should be taken into account," which drew fire from Okinawa, out of his desire to avoid being influenced too much by the situation in the local communities and to keep a free hand for the Hatoyama cabinet. Minister for Okinawa and Northern Territories Affairs Seiji Maehara indicated his sympathy for Hirano on Jan. 26, saying: "I basically agree with the chief cabinet secretary's statement."

At recent meetings and gatherings, Hatoyama has apparently been frequently mentioning that "the chief cabinet secretary is working very hard on the Futenma issue." It is possible that such remarks have put pressure on Hirano.

(2) Mayors of Tokunoshima, rumored to be Futenma relocation site, refuse to meet chief cabinet secretary, say relocation "impossible"

ASAHI (page 14) (Full)  
Evening, January 27, 2010

With regard to reports that the island of Tokunoshima in Kagoshima Prefecture has emerged as a possible relocation site for the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), the town mayors and other officials on the island admitted on Jan. 27 that there had been an inquiry from a Democratic Party of Japan Diet member close to Prime Minister Yukio Hatoyama, but revealed that they rejected the proposal.

According to Mayor Akira Okubo of the town of Isen, the three town mayors in Tokunoshima met with this Diet member on Jan. 25. They were told that the government wishes to build a replacement facility for the Futenma base on Tokunoshima and were requested to hold a meeting with Chief Cabinet Secretary Hirofumi Hirano.

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After discussing this matter among themselves, the three mayors decided not to meet Hirano and notified the Diet member of their decision on Jan. 26. Okubo told the press: "We have rejected the proposal formally and told them that Futenma's relocation to Tokunoshima is impossible. This proposal will not go any further."

Mayor Hideki Takaoka of the town of Tokunoshima also said: "There was an inquiry, but we rejected it formally. Bases impose a heavy burden on the local communities."

Mayor Kosuke Ohisa of the town of Amagi, where the Tokunoshima airport with a 2,000-meter runway is located, said: "Personally, I think a U.S. military base is not appropriate for an island of longevity, children, and healing. This is nonsense."

(3) Futenma in turmoil (Part 2): No way out for relocation issue

YOMIURI (Page 4) (Abridged slightly)  
January 27, 2010

"I want to ask high-ranking Japanese officials how the result of this election could affect the Japanese government's policy," U.S. Assistant Secretary of State Kurt Campbell, who handles the Obama administration's Japan policy, said to Japanese reporters on Jan. 25. Campbell was speaking about the fact that Susumu Inamine, who opposes the relocation of the U.S. Marine Corps' Futenma Air Station, won the Nago mayoral election (on Jan. 24).

The U.S. government is becoming increasingly concerned that the existing Henoko plan, which it regards as the only feasible plan, might fall through.

The U.S. side reportedly obtained a promise from the Hatoyama administration late last year that it will settle the matter in May 2010. Tokyo also reportedly informed Washington that the incumbent mayor in favor of the existing plan was likely to win his second term. "So we had expectations that Japan will decide to go along with the existing plan by May," a U.S. government source said.

The result was contradictory to U.S. expectations. "A new factor has been added," Campbell said, indicating that the implementation of the existing plan has now become difficult.

It is inadvisable to throw the deterioration of the Japan-U.S. relationship into relief by pressuring Tokyo, so Washington was planning to remain calm until May, according to a high-level U.S. official. But some in the U.S. government are likely to become more frustrated with Tokyo. The Hatoyama administration wants to strike a balance between the Okinawan people's sentiments and the Japan-U.S. agreement. But in reality there seems to be no way out of this situation. Japan-U.S. relations are strained. Chief Cabinet Secretary Hirofumi Hirano also said the day after the Nago poll, "There is no reason why we have to take the election result into account," making Okinawa more distrustful of the government.

Hirano also expressed a negative stance yesterday on forming a consensus with the government of the relocation site. Kantoku Teruya, a Social Democratic Party Lower House member from Okinawa, criticized Hirano harshly: "He is so outrageous that I want to punch him. I question his sense as a politician."

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As a result of manipulating words to cling to power, the Hatoyama administration has drawn strong reactions from all the parties

concerned.

U.S. government officials and Japan experts in the United States, such as former Deputy Secretary of State Richard Armitage, are underlining the need to consider a Plan B, an alternative plan. From the pessimistic view that determining a new relocation site is difficult, the idea is to devise remedial measures premised on the notion that the Futenma base will remain in the current location permanently.

It has been over four months since the Hatoyama administration was launched. There is a growing possibility that the nightmare of the planned return of Futenma Air Station -- Okinawa's long-cherished wish -- will go back to the drawing board.

(4) What to do about Futenma Air Station?: Talks with U.S. on relocation site urged; Establish close relationship to maintain deterrence

YOMIURI (Page 15) (Almost full)  
January 27, 2010

By Hidemichi Katsumata, editorial board member

The Hatoyama administration's lack of definite views of the Futenma airfield relocation issue is visible even after the Nago mayoral election in Okinawa Prefecture. The nightmare that the Futenma relocation site is Futenma is far more likely to be true now than ever before.

Japan and the U.S. have discussed various proposals, whether in formal or informal settings, for the relocation of the U.S. Marine Corp's Futenma Air Station, starting with a plan to integrate it with Kadena Air Base. The major focus of attention was on how to solve thorny problems of reducing the base burden imposed on Okinawa and maintaining deterrence.

Clearing two issues was the precondition for relocating the facilities out of the prefecture.

One issue is that when relocating the Futenma functions out of the prefecture, Marines, which depend upon helicopters for transportation, have to be transferred as well.

If helicopters at Futenma alone are transferred out of the prefecture, Marines in Okinawa will be bereft of a means of transportation. Should that occur, their daily training would suffer a setback. They would also have to wait for helicopters coming from a long distance in the event of contingency, which means it would take a long time before they could deploy.

In other words, if a municipality outside Okinawa Prefecture agrees to host the Futenma facilities, it must accept not only the airfield but also the infantry regiment (1,000 Marines) of Camp Schwab (in Nago City), combat troops, and a training site for landing practice and urban warfare -- training they carry out daily.

The other issue involves air traffic control of the airfield. U.S. Forces Japan (USFJ) owns air traffic control rights of its air bases at six locations throughout Japan, including Yokota (Tokyo), Misawa

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(Aomori) and Kadena (Okinawa), as well as Futenma. A senior Defense Ministry official said: "USFJ owns air traffic control rights to secure free operations of aircraft in the event of contingency. They would never relinquish those rights."

At present, air-traffic controllers of the Transport Ministry are controlling civilian aircraft at many local airports and their surrounding airspace. However, it would not be easy for them to control the operations of U.S. military aircraft, which conduct frequent landing and takeoff practice. Even if the job is relegated to the Marine Corps, it would affect the operations of civilian aircraft, depending on the frequency of drills.

It was, in the end, decided to relocate the Futenma facilities

within the prefecture. The coastal area of Henoko was picked from among several candidate areas for its high feasibility. This is the background of the U.S. insisting that the existing plan is the best relocation site.

However, the Hatoyama administration had been insisting on relocation outside the prefecture or Japan, as pledged during the election campaign. But as soon as it was found difficult to do so, it came up with a plan to relocate the facility to Iejima island in Okinawa Prefecture, a candidate site Japan and the U.S. had already discussed. Furthermore, the Hatoyama administration is making moves to search for a new relocation site in the coastal area of the eastern part of the mainland of Okinawa, which surprised Okinawa Governor Hirokazu Nakaima, who said: "I thought the government was searching for a location outside the prefecture or Japan. But it is inspecting various areas within the prefecture." The government is putting out feelers to airports in Saga and Shizuoka Prefectures and the Maritime Self-Defense Force Omura Base in Nagasaki Prefecture as possible relocation sites.

The Hatoyama administration should address these two issues, which it was unable to resolve previously, by examining the process of past Japan-U.S. talks, before throwing out various relocation sites like spur-of-the-moment ideas. At the same time, in order to mend Japan-U.S. relations, which are beset by constant friction, the Hatoyama administration should ask the U.S. to come to the negotiating table to maintain deterrence, which is linked as a set to the relocation of the Futenma Air Station (reduction of the base burden). In my view, if the administration decides on a relocation site on its own and proposes it to the U.S., it would never produce a favorable result.

The greatest deterrence for Japan is its strong bond with the U.S. Without such a relationship, it would be impossible to constrain a threat from North Korea or China. There are not so many steps in removing the potential danger of Futenma Air Station promptly and closing the gap between Japan and the U.S.

(5) Editorial: Make pragmatic changes to Futenma relocation plan

SANKEI (Page 2) (Full)  
January 27, 2010

A candidate opposed to the relocation of the U.S. Marine Corps' Futenma Air Station (Ginowan City, Okinawa) to the Henoko district won the Nago mayoral election. In this regard, Chief Cabinet Secretary Hirofumi Hirano said, "If we take local consent into account, we won't be able to do anything."

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Hirano was apparently implying the possibility that the government will make a decision on its own even if it cannot secure approval of the local municipality to which the Futenma air base would be relocated.

Although his remarks drew a strong reaction from the ruling and opposition parties, as well as from Nago City, he made this comment: "Can't we move things forward without local consent? This is a matter of Japan's security."

His series of remarks can be taken to mean that the government has left the existing Japan-U.S. agreement to relocate the Futenma base to the coastal area of Camp Schwab (Nago City) open as an option.

Moreover, Japan's security is directly linked to the deterrence provided by U.S. forces in Japan. It can be said that the government has expressed its clear intention to take responsibility for maintaining that deterrence capability. This is an extremely appropriate judgment.

The U.S. government has insisted that the Japan-U.S. agreement "is the best and only viable option."

From the standpoint of placing importance on the Japan-U.S. alliance, Hirano's remarks are apparently aimed at coming up with a

pragmatic plan, eliminating such low feasibility options as moving the Futenma base out of Okinawa or out of Japan, for which many in the ruling camp have strongly called.

Prime Minister Yukio Hatoyama remarked as follows apropos the Nago mayoral election result: "There is no change in the government stance of "zero-base" (looking for a relocation site from scratch)." His comment indicated that the government would search for a new relocation site, while keeping the existing plan as an option.

However, the government should not use vague expressions such as 'zero-base,' but should instead resolve the Futenma issue as early as possible without waiting for the deadline of May.

Because it seems likely that the Social Democratic Party (SDP) and the People's New Party (PNP) will oppose the existing plan and because it will much time for coordination with the local municipalities concerned, the environmental impact assessment premised on the existing relocation plan should be moved forward.

The Futenma issue is leading to the hollowing out of the Japan-U.S. alliance. On the important occasion of the 50th anniversary of the revision of the Japan-U.S. Security Treaty, the government must not create a crisis in the bilateral relationship between Japan and the United States. The prime minister told President Barack Obama in their meeting held last November, "I want you to trust me." Hatoyama, however, betrayed Obama by putting off a decision on the Futenma issue.

As Hatoyama is the one who caused the confusion, he bears responsibility for averting any crisis in order to preserve the peace and safety of the nation.

(6) Interview with UN Political Affairs Officer Kiyotaka Kawabata: Dispatch of SDF to Haiti on PKO mission might become turning point for Japan's international cooperation

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ASAHI (Page 4) (Full)  
January 27, 2010

The Hatoyama cabinet has decided to dispatch Self-Defense Force (SDF) personnel to Haiti to join the UN peacekeeping operations (PKO) mission. The Asahi Shimbun interviewed UN Political Affairs Officer Kiyotaka Kawabata, distinguished professor at the Graduate School of Osaka University, to ask for his views about whether the planned SDF operations in Haiti will become a new type of international cooperation activity by Japan.

-- What is your evaluation of Japan's response to the devastation caused by the earthquake in Haiti?

Kawabata: Japan was slow to act and its medical team didn't arrive in Haiti until five days after the quake. But now the government has decided to dispatch the SDF to the quake-stricken area. Haiti's government has ceased to function, so the presence of well-equipped military units is indispensable for reconstruction activities. The participation of SDF personnel should be welcomed.

The government's decision this time is also very important in view of the nation's PKO policy. The PKO mission in Haiti can be categorized as "new-generation PKO" for which the force specified in Chapter 7 of the UN Charter is granted, although such force is limited, for instance, to supporting police and protecting citizens. New-generation PKO have sharply increased in the post-Cold War era. In this era, civil wars, in which it is difficult to identify the parties in a conflict, have become a major threat for peacekeeping.

Japan has refrained from sending the SDF overseas on a PKO mission, bound by its five principles on PKO participation, including such requirements for PKO participation as the existence of a cease-fire agreement between the parties to a conflict and agreement by the concerned parties. The SDF's planned dispatch to Haiti might become a turning point for Japan's stalled PKO cooperation activities.

-- Japan withdrew the Maritime Self-Defense Force's vessels that were engaged in the refueling mission in the Indian Ocean as part of cooperation in the war on terror in Afghanistan.

Kawabata: Japan was losing sight of whether the mission was an extension of the Japan-U.S. alliance or a part of UN activities. Because differences in both activities have become conspicuous since the end of the Cold War, these activities can no longer be categorized as "international contributions." Saying that it will not take part in U.S.-led wars, such as the Iraq war, the Democratic Party of Japan has distanced itself from anti-terrorism operations outside the framework of the UN. This is probably a wise decision.

But the Hatoyama cabinet has not come up with any specific international peace cooperation measures yet. The cabinet has decided to disburse 5 billion dollars in assistance for Afghanistan but remains tight-lipped about manpower contributions. Urgent tasks for peacekeeping include public security measures such as the fostering of national forces, and measures to reform the election system to eliminate corruption. If Japan alone continues to refrain from making manpower contributions, will its peacekeeping cooperation be regarded as sufficient?

-- What measures should the Hatoyama cabinet pursue?

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Kawabata: Financial aid is important in the cases of conflict and disaster, but money will be meaningless if victims cannot survive. Prime Minister Yukio Hatoyama has said: "I would like to deepen the Japan-U.S. alliance to adapt to the evolving environment of the 21st century." If the word "deepen" represents his determination to stop depending on the U.S. and to take on global roles, Japan must provide cooperation in peacekeeping operations under the lead of the UN. If Japan hopes to pursue the aims of maintaining favorable relations with the U.S. and continuing its positive approach to the UN, Japan should have the SDF actively participate in PKO activities, which will be appreciated by both the U.S. and the UN.

(7) Editorial: Ensure safety for int'l contributions

TOKYO SHIMBUN (Page 5) (Full)  
January 27, 2010

The government has decided to send a Ground Self-Defense Force contingent to Haiti for reconstruction in the aftermath of a recent major earthquake that hit the nation. The GSDF will participate in United Nations peacekeeping operations there. We hope that Japan will make international contributions in a visible way by utilizing its experiences in reconstruction following its own major earthquakes.

The earthquake that took place in Haiti - an island nation in the Caribbean Sea - reportedly killed 100,000 or 200,000 people. Two weeks have now passed since its occurrence. Attention will now be focused on the nation's reconstruction.

In Haiti, antigovernment insurgents have become militant. In 2004, the United Nations began to station PKO troops there. In the earthquake, more than 80 PKO personnel lost their lives. As such, the PKO unit sustained catastrophic damage. The United Nations decided to send 3,500 reinforcements, and the Japanese government also responded.

The Japanese government plans to dispatch a total of about 300 GSDF personnel -mostly from the GSDF's engineer brigades - to Haiti's disaster-stricken areas, aiming to start reconstruction activities there in early February. They will be engaged in such tasks as clearing rubble and repairing roads. We hope that the GSDF will conduct activities that will give hope to people who lost their families or houses. The government will also disburse a total of 70 million dollars in reconstruction aid.

The ruling Democratic Party of Japan says its government wants to deepen Japan's international contributions while working together with the United Nations. Japan has now withdrawn the Maritime



Self-Defense Force from its refueling activities in the Indian Ocean. However, Japan can play up its personnel assistance to Haiti instead.

However, there is cause for concern. Japan's five principles of PKO participation require a "ceasefire agreement between disputed parties." In Haiti, however, there is no such ceasefire agreement. But the Defense Ministry thinks that there is no problem, explaining that the armed insurgents are not organized, and the local incidents are crimes such as violence involving criminal groups and are not armed conflicts.

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According to the Foreign Ministry's information, however, major cities in Haiti were dangerous even before the earthquake. The Foreign Ministry had therefore advised Japanese nationals to postpone traveling to Haiti. After the earthquake, the number of lootings and rapes escalated. In the capital city of Port-au-Prince, U.N. troops fired warning shots at mobs that had gone out of control over food allocation, resulting in injuries.

We can understand the urgency of disaster reconstruction. One of our concerns, however, is that the Self-Defense Forces' personnel may be involved in an armed conflict. SDF personnel on overseas missions are only allowed to use weapons for the purpose of protecting themselves, so we wonder if this principle of minimizing the SDF's use of weapons can be maintained.

The first and foremost purpose of sending SDF personnel on overseas missions is for Japan to conduct humanitarian assistance for the victims of disasters. The SDF's overseas dispatch must not be intended to display Japan's national prestige. We hope that thorough debates will be conducted, including Diet deliberations.

Originally, the primary mission of PKOs is to monitor ceasefire or troop withdrawal. In recent years, however, various activities have been required. In Cambodia, the SDF was tasked with election monitoring in Cambodia. In East Timor, the SDF repaired roads and trained local engineers. The SDF has thus made contributions in nonmilitary areas.

The SDF's PKO participation in Haiti will be an opportunity for Japan to create a new role for itself in international contributions. The question, however, is whether the safety of SDF personnel will be fully ensured. We will need to consider this repeatedly in a careful manner even after the SDF is dispatched.

(8) BOJ governor pins high hopes on ripple effects of growth of emerging countries

NIKKEI (Page 5) (Abridged slightly)  
January 27, 2010

Bank of Japan (BOJ) Governor Masaaki Shirakawa at a press conference held after a financial policy-setting meeting on Jan. 26 noted, "There will be no disruption in the upward trend of the economy." He thus indicated his perception that the situation of the Japanese economy sinking into a double-dip recession can be avoided. He has determined that since emerging economies are experiencing ongoing greater-than-expected growth, the recovery of production and exports will continue for some time to come. He also stressed his policy of maintaining an extremely easy monetary environment, as he was keeping in mind the potential risk of the U.S. economic recovery slowing down.

Participants in the meeting reviewed the Outlook for Economic Activity and Prices (Outlook Report) issued in October 2009. They made an upward revision of the projection for real growth in fiscal 2010 from 1.2 percent to 1.3 percent, maintaining the scenario of the economy staying on a mild recovery trajectory. They kept the projection for fiscal 2011 at 2.1 percent. They also decided to leave the policy interest rate at the present level of 0.1 percent a year unchanged.

Concerning the future of the domestic economy, Shirakawa stressed:

"We fully anticipate that the economic expansion might lose steam temporarily to a certain extent. However, there will be no disruption in the recovery trend." As factors that will affect the future of the economy, he pointed out the strength of the economies of resource-rich and fast emerging countries as a positive factor and the adjustment of balance sheets by European countries and the U.S. as a negative factor. He then indicated his perception that the situation that has caused concern over downside risks has improved.

With regard to consumer prices, excluding perishable goods, the participants maintained the view that although the rate of decline will slow down, a negative trend in comparison with the previous year's level will continue for three years from fiscal 2009 through 2011. Shirakawa pointed out that there has been no change in the basic stance of the BOJ's monetary policy at the meeting this time from the one adopted in December last year, when the central bank announced that it would not tolerate a drop (in consumer prices).

#### Benefits of greater-than-expected strength

"The trend of the growth of emerging economies affecting exports and capital investment by industrialized countries is working positively"

The BOJ is continuing its ultra-easy monetary policy. However, capital spending is showing no signs of recovery. Personal consumption also remains sluggish, except for autos, which are benefiting from a tax-break policy. Even so, the Japanese economy is likely to avoid sinking into a double-dip recession. This is because emerging countries, such as China, are serving as a driving force for the global economy. Monetary-easing policies adopted by the central banks of industrialized countries cannot easily have an impact on their domestic economies. However, risk money that has flowed into emerging countries, particularly China, is stimulating their economies. There is thus a pattern of industrialized countries indirectly benefiting from their policies. Growth driven by emerging countries is linked to a rise in commodity prices, which is the reason the BOJ has revised its projection for prices upward.

"The aftermath of the Dubai Shock is beginning to die down. Discussions on various countries' fiscal trends and their impact on the financial market and the impact of discussions on a review of monetary supervision are drawing attention recently."

Shirakawa tacitly pointed out U.S. President Obama's new financial regulation plan and financial problems in Greece and other countries as new risk factors. Shirakawa stopped short of referring to the new U.S. financial regulations, saying, "I would like to refrain from making a specific comment." In the meantime, he underscored the principle that it is important to take care that a review of supervision over financial regulations will not hamper the recovery of the macro-economic monetary activities.

"Sustained growth of emerging countries is expected. In the meantime, if expectations for our country's growth do not pick up, there is a possibility that domestic investment will continue to be restrained."

The BOJ is alert to a possible scenario of an increasing number of companies shifting their production bases abroad, causing the domestic economy to continue to stagnate. Shirakawa believes that such a possibility is slim, but if corporate expectations are

dampened, such a scenario could become a reality. Pointing out the necessity of stimulating potential domestic needs, Shirakawa made a request to the government, saying, "It is important for the government to develop an environment for competition so that corporate efforts can bear fruit."